

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Lapeer County</b>	County <b>Lapeer</b>
Audit Date <b>12-31-05</b>	Opinion Date <b>04/21/06</b>	Date Accountant Report Submitted to State: <b>08/15/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that: **1 - 9 Completed with financial audit**

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) <b>Stewart, Beauvais &amp; Whipple PC</b>			
Street Address <b>1979 Holland Avenue</b>	City <b>Port Huron</b>	State <b>MI</b>	ZIP <b>48060</b>
Accountant Signature 			Date <b>08/15/06</b>

**LAPEER COUNTY, MICHIGAN**

**SUPPLEMENTARY INFORMATION TO  
BASIC FINANCIAL STATEMENTS**

**(FEDERAL AWARDS)**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

Stewart,  
Beauvais  
& Whipple P.C.

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CERTIFIED PUBLIC ACCOUNTANTS



# LAPEER COUNTY, MICHIGAN

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**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY FINANCIAL INFORMATION**

To the Board of Commissioners  
of Lapeer County  
Lapeer, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lapeer County, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements. Those financial statements are the responsibility of Lapeer County's management. Our responsibility is to express opinions on those financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Lapeer County, Michigan's basic financial statements. The Schedule of Federal Expenditures of Federal Awards presented on Pages 6 through 9 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations and is not a required part of the basic financial statements. The information in this schedule has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

April 21, 2006

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
of Lapeer County  
Lapeer, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lapeer County, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon, dated April 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financing Reporting**

In planning and performing our audit, we considered the County of Lapeer, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County of Lapeer, Michigan's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questions costs as items 05-1, 05-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the County of Lapeer, Michigan, in a separate letter dated April 21, 2006.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Lapeer, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***. The finding is described in the accompanying schedule of findings and questioned costs as item 05-3. We also noted certain immaterial instances of noncompliance, which we have reported to the management of Lapeer County, Michigan in a separate Management Letter on Compliance Issues dated April 21, 2006.

This report is intended solely for the information and use of the audit committee, management and the County Board of Commissioners of Lapeer County, Michigan, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

April 21, 2006



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners  
of Lapeer County  
Lapeer, Michigan

**Compliance**

We have audited the compliance of the County of Lapeer, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The County of Lapeer, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Lapeer, Michigan's management. Our responsibility is to express an opinion on the County of Lapeer, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Lapeer, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Lapeer, Michigan's compliance with those requirements.

In our opinion, the County of Lapeer, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

**Internal Control Over Compliance**

The management of the County of Lapeer, Michigan, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Lapeer, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the County Board of Commissioners of Lapeer County, Michigan, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

April 21, 2006



# LAPEER COUNTY, MICHIGAN

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<u>Passed Through the Michigan State University Extension</u>			
Plant and Animal Disease, Pest Control And Animal Care -Emerald Ash Borer	10.025	N/A	\$ 4,306
<u>Passed Through the Michigan Department of Community Health:</u>			
Special Supplemental Food Program for Women, Infants, and Children - WIC	10.557	N/A	212,663
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>216,969</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Passed Through Michigan Jobs Commission:</u>			
Community Development Block Grant/ Small Cities Program - Housing Rehabilitation	14.219	MSC 04-0751-HOA	<u>130,604</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
<u>Direct Program</u>			
State Criminal Alien Assistance Program	16.606	N/A	<u>9,348</u>
<u>Passed Through The Michigan Department of Human Services.</u>			
Juvenile Accountability Incentive Block Grants	16.523	JAIBG-05-44001	2,102
Juvenile Accountability Incentive Block Grants		JAIBG-04-44001	4,825
			<u>6,927</u>
<u>Passed Through The Michigan State Office of Drug Control Policy:</u>			
Drug Control System Improvement Formula Grant - Thumb Narcotics Unit	16.579	70898-4-03-B	<u>122,537</u>
<u>Passed Through The Michigan Department of State Police :</u>			
Youth Alcohol Enforcement Grant	16.727	N/A	<u>12,151</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>150,963</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<u>Passed Through The Michigan Department of State Police :</u>			
State and Community Highway Safety - Drive Michigan Safely Task Force	20.600	N/A	<u>41,269</u>

# LAPEER COUNTY, MICHIGAN

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u>			
<u>Passed Through The Michigan Department of Environmental Quality:</u>			
State Indoor Radon Grants - Indoor Radon Grant (a)	66.032	N/A	\$ 900
Water Pollution Control	66.471	N/A	7,800
Hazardous Waste Management State Program Support - Hazardous Material Disposal (a)	66.801	N/A	<u>10,930</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>19,630</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
<u>Passed Through The Michigan Department of State Police:</u>			
Federal Emergency Management Food and Shelter Program Emergency Food Shelter	83.523	N/A	<u>22,057</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<u>Passed Through Lapeer County Intermediate School District:</u>			
Early on Program	84.181A	N/A	8,002
Infants and Toddlers with Disabilities - Early on Program	84.181	N/A	<u>106,134</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>114,136</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Passed Through - Valley Area Agency on Aging:</u>			
Special Programs for the Aging - Title III , Part B - Grants for Supportive Services and Senior Centers - Senior Centers	93.004	N/A	9,351
Home Chore Services		N/A	<u>7,214</u>
			16,565
Case Coordination and Support	93.044	N/A	16,782
Special Programs for the Aging-Title III, Part D- Disease Prevention and Health Promotion Service	93.043	N/A	3,178
Special Programs for the Aging - Title III - Part C - Nutrition Services Mobile Meals	93.045	N/A	110,628
Title III - Part C 2 - Nutrition Services- Nutrition Services Incentive Program	93.053	N/A	54,903
Medical Assistance Program Title XIX- Medical Waiver (a)	93.778	N/A	<u>17,543</u>
Total Passed Through Valley Area Agency on Aging			<u>219,599</u>

# LAPEER COUNTY, MICHIGAN

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (cont'd):</u>			
<u>Passed Through the Michigan Family Independence Agency:</u>			
Title IV B Subpart 2 -			
Family Preservation and Support Services			
Strong Families/Safe Children -	93.556		
Department of Human Services		N/A	\$ 3,543
Lapeer Family/Children's Coordinating Council		CAN-02-44001	3,450
Lapeer Family/Children's Coordinating Council		SFSC-02-44002	4,132
Health Department		SFSC-02-44001-3	29,253
			<u>40,378</u>
Temporary Assistance to Needy Families -	93.558		
Family Focus		CAN-02-44001	7,899
Medical Incentive Payments		N/A	177,857
Lift Program		WRAP-04-44001	16,785
			<u>202,541</u>
Child Support Enforcement			
Title IV D -	93.563		
Cooperative Reimbursement		CS/COMB-04&05	671,894
Medical Support Enforcement		CS/COMB-04&05	27,171
			<u>699,065</u>
Total Passed Through The Michigan Department of Human Services			<u>941,984</u>
<u>Passed Through Lapeer County Intermediate School District:</u>			
Temporary Assistance to Needy Families -			
Michigan Works	93.558	N/A	<u>8,454</u>
<u>Passed Through Michigan Department of Community Health:</u>			
Family Planning Services -	93.217		
Family Planning (a)		N/A	<u>111,993</u>
Childhood Immunization Grants -	93.268		
Immunization IAP		N/A	28,127
Vaccine Doses		N/A	236,909
Immunization Vaccine Handling		N/A	1,965
Medicaid Immunization IAP		N/A	63,773
			<u>330,774</u>
Centers for Disease Control -	93.283		
Investigations and Technical Assistance -			
Bioterrorism Grant		N/A	<u>167,462</u>
MI - Child	93.767	N/A	17,744
Medical Assistance Program Title XIX-	93.778		
CSHCS Outreach & Advocacy		N/A	4,923
Omnibus Budget Reconciliation Act		N/A	18,509
			<u>23,432</u>

# LAPEER COUNTY, MICHIGAN

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - (cont'd):</u>			
<u>Passed Through Michigan Department of Community Health (cont'd):</u>			
Maternal and Child Health Services			
Block Grant -	93.994		
Family Planning		N/A	\$ 23,095
M+I Support Local MCH		N/A	33,696
CSHCS Outreach and Advocacy		N/A	23,526
			<u>80,317</u>
Block Grants for Community Mental Health Services-	93.958		
Block Grant		05B1MICMHS	87,466
Homeless Population		05B1MICMHS	7,500
Peer Support Advocate		05B1MICMHS	11,860
Respite Services		05B1MICMHS	2,469
			<u>109,295</u>
Total Passed Through Michigan Department of Community Health			<u>841,017</u>
<u>Passed Through St. Clair County - Health Department:</u>			
State Children Insurance Program -	93.767		
MI - Child		N/A	829
Adult Benefit Waiver		N/A	629
			<u>1,458</u>
Medical Assistance Program Title XIX	93.778	N/A	<u>10,892</u>
Block Grants for Prevention and Treatment of Substance Abuse -	93.959		
Treatment, Prevention and Women's Treatment (a)		N/A	<u>104,062</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>2,127,466</u>
<u>U.S. DEPARTMENT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:</u>			
<u>Passed Through Lapeer County Intermediate School District:</u>			
Learn and Serve America - Serve Michigan Grant	94.004	N/A	<u>22,219</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<u>Passed Through The Michigan Department of State Police:</u>			
State Homeland Security -			
State Domestic Preparedness Equipment Support Program	97.004	N/A	794,604
Emergency Management Performance Grant	97.042	N/A	25,416
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>820,020</u>
Total Federal Awards			<u>\$ 3,665,333</u>

# LAPEER COUNTY, MICHIGAN

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Lapeer and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### NOTE 2 - SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE:

Reimbursements of these contracts are not funded 100% by the Federal Government. The revenues reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective reimbursements and are a percentage of total contract expenditures as summarized below:

<u>Program</u>	<u>CFDA Number</u>	<u>Percent</u>
Indoor Radon Grant	66.032	50.00 %
Coop. Reimbursement & Medical Support Enforcement	93.563	66.00
Family Planning Services	93.217	77.00/79.00
MICChild Marketing and Research	9.767	69.70
Preadmission Screening and Resident Revisions	93.778	75.00
Medicaid Outreach and Incentive Payment Project	93.778	50.00/56.71/75
Block Grants for Prevention & Treatment of Substance Abuse – Prevention and Treatment	93.959	75.00

# LAPEER COUNTY, MICHIGAN

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2005

### NOTE 3 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

The following schedule reconciles the intergovernmental revenues reported in the December 31, 2005 basic financial statements for the primary government and the intergovernmental revenues reported in the various component units 2005 financial statements to the expenditures of the County administered federal programs reported on the Schedule of Expenditures of Federal Awards.

	Major Funds	Non-Major Funds	Discretely Presented Component Units	Total
Balance per Financial Statements – Governmental Funds – Intergovernmental revenue	\$ 14,511,658	\$ 3,889,574	\$14,471,818	\$ 32,873,050
Less:				
State and Local intergovernmental revenue (	3,826,415)	( 1,530,030)	(13,709,801)	( 19,066,246)
Federal Revenue –				
Medical Assistance Program as Vendor Relationship	( 9,379,454)	-	-	( 9,379,454)
Administered by Michigan Department of Transportation	-	-	( 762,017)	( 762,017)
Federal Award Expenditures	<u>\$ 1,305,789</u>	<u>\$2,359,544</u>	<u>\$ -</u>	<u>\$ 3,665,333</u>

**LAPEER COUNTY, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Section I – Summary Of Auditor’s Results:**

**Financial Statements**

Type of auditor’s report issued:	Unqualified
Internal controls over financial reporting:	
Material weakness(es) identified?	_____ yes <u>  x  </u> no
Reportable condition(s) identified not considered to be material weaknesses?	<u>  x  </u> yes    _____ none reported
Noncompliance material to financial statements noted?	_____ yes <u>  x  </u> no

**Federal Awards**

Internal Control over major programs:	
Material weakness(es) identified?	_____ yes <u>  x  </u> no
Reportable condition(s) identified not considered to be material weaknesses?	_____ yes <u>  x  </u> none reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A – 133, Section 510(a)?	<u>  x  </u> yes    _____ no

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA #93.268	Childhood Immunization Grants
CFDA #93.563	Child Support Enhancement
CFDA #97.004	State Domestic Preparedness Equipment Support Program
CFDA #97.042	Emergency Management Performance Grant
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	_____ yes <u>  x  </u> no

## **LAPEER COUNTY, MICHIGAN**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2005**

#### **Section II – Financial Statement Findings:**

The following findings are considered to be reportable conditions on internal control over financial reporting that are not considered to be material weaknesses.

##### **05-1**

**Program – This Financial Statement Finding does not have an effect on Federal Awards**

##### **Controls Over General Ledger Account Balances for Drains**

We understand that the Drain Commission is currently having the accounting software utilized by the County modified to meet the needs of the reporting requirements of the Drain Commission.

This modification is important because with the large amount of activity and the required reporting by the Drain Commission, the maintaining of control totals over assessments receivable and drain notes has been difficult. Also, because of not having readily available information by drainage district, the Treasurer's office has not been able to maintain Drain cash by each District.

We recommend that this adaptation of the County software be given high priority and that procedure be implemented in the drain office to assist both the finance and treasurers department in control over the general ledger account balances, for drains.

##### **05-2**

**Program – This Financial Statement Finding does not have an effect on Federal Awards**

##### **Controls Over General Ledger Account Balances**

During our audit we noted that General Ledger cash balance for the Lapeer County Department of Human Services was not reconciled to the County General Ledger as of September 30, 2005. In addition, the Michigan State Department of Human Services noted that the General Ledger cash balance for the Lapeer County Department of Human Services did not match the cash balance per the state control.

We recommend that DHS trial balance be reconciled periodically and matched with the County's trial balances.

#### **Section III – Federal Award Findings And Questioned Costs:**

##### **05-3**

**Program – Home Land Security Grant (CFDA #97.004) passed through the Michigan Department of State Police to Lapeer County**

**Criteria:** The OMB Circular A-133 Compliance Supplement states in part under the compliance requirement subrecipient monitoring, that the pass-through entity is responsible for monitoring the subrecipients' activities to provide reasonable assurance that the subrecipient administers Federal Awards in compliance with Federal requirements.



## **LAPEER COUNTY, MICHIGAN**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2005**

**Condition:** The Lapeer County Emergency Management Department was following the County Procurement Policy, which meets Federal requirements. The County Emergency Management Department requested copies of invoices for purchases made by subrecipients; however, did not monitor the procurement procedures for those purchases.

**Questioned Cost:** The amount passed through to subrecipients for which there is documentation of purchase, however, no documentation to support that proper procurement was performed, is \$214,399.

**Context:** The Home Land Security Grant was classified as a Type A major program. Total dollars audited were \$794,604, of which \$487,488 was passed through to other entities (subrecipients). Of the passed through dollars of \$487,488, the invoice documentation was audited, however, \$214,399 was not documented as having been monitored for meeting procurement standards.

**Effect:** Subrecipients may not have followed proper procurement requirements that meet applicable federal laws and standards.

**Cause:** The Emergency Management Department believed that the subrecipients were following their own procurement policies which met Federal standards the same as the County's procurement policy. Therefore, believed that receiving a copy of the invoice was sufficient.

**Recommendation:** Monitoring of subrecipients should be performed as soon as possible to assure that procurement was performed properly. This may be accomplished by having the subrecipients provide a letter stating that their procurement policy meets federal requirements and was followed when making the capital asset purchases with Home Land Security grant dollars. A copy of their procurement policy should be provided with the letter.

#### **Section IV – Prior Year Findings:**

A summary schedule of the prior year financial statement findings has been prepared.

**MANAGEMENT LETTER RELATING TO COMPLIANCE ISSUES**

To the Board of Commissioners  
of Lapeer County  
Lapeer, Michigan

We have recently completed the financial and compliance audits of Lapeer County, Michigan for the year ended December 31, 2005. In connection with the audits, we believe certain changes in your administrative and accounting procedures relating to certain compliance issues should be implemented. This suggestion is a result of our audit of compliance requirements under *Government Auditing Standards*. As noted in our *Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, dated April 21, 2006, these compliance issues were not considered material.

**Controls over Federal and State Grants**

Responsibility for the County to be able to provide the required information for the preparation of the Schedule of Expenditures of Federal Awards that is presented in the annual Single Audit has been increased with the current changes in auditing requirements.

Responsibility for federal and state grants is currently fragmented throughout the County. Information related to grants is sometimes difficult to follow through and audit trail. Evidence of the source of the grant, percentage of federal participation, federal CFDA number, compliance requirements and status of expenditures and/or revenues is difficult to determine.

Internal monitoring by the finance department has increased controls over the federal programs; however, it still requires a considerable amount of effort to determine at year-end the grant amounts and other pertinent information required for the Schedule of Expenditures of Federal Awards. Also, it is sometimes difficult to compare the expenditures per the reports selected for testing to the expenditures per the general ledger.

Individual departments and/or individuals responsible for the grants should increase involvement providing the above described required information and timely reconciling the reporting to the general ledger.

**Budget Requirements**

As indicated in the Notes to Financial Statements, the County of Lapeer has not complied with certain provisions of Public Act 621 of 1978, as amended, the Uniform Budgeting and Accounting Act. Michigan Public Act 621 of 178, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Act requires the Board of Commissioners to make budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended December 31, 2005, the County (primary government) incurred expenditures in excess of appropriations for six (6) activities of the General Fund and had excess expenditures over appropriations in the seven (7) budgeted special revenue funds which included the Revenue Sharing Reserve Fund that did not have a budget.

We recommend that the Board of Commissioners amend the budgets as needed, to prevent actual expenditures from exceeding those provided for in the budgets as required by Act 621.

This report is intended solely for the information and use of the audit committee, management, the County Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our examination. We are available to discuss these items with you and to provide assistance in the implementation of improvements.



Certified Public Accountants

April 21, 2006

**To: Federal Grantors and Flow-Through Agencies**

**From: John Biscoe, Administrator/Controller**

**Follow-up**

**Response: Single Audit Findings for 2005**

**Date: April 21, 2006**

**Response to 2005-1**

We have met with our software provider for the Lapeer County accounting and financial system to modify our general ledger system to accommodate a subsidiary ledger for the drain funds, as well as having selected a customized software package for assessments.

As part of the process of maintaining control over the various drain funds, we are developing and documenting internal communication and reporting procedures between the drain office, treasurer's office and finance department. Also, an individual has been transferred to the drain office that will assist in the process.

We recognize that this finding was also a 2004 finding and intended to make a decision in 2005 on the most efficient means of accomplishing the goal of improved accounting records. The decision will be made in 2006 and implementation performed.

**Response to 2005-2**

We have received assistance from the State of Michigan Department of Human Services and are going to provide assistance from our fiscal department.

We will start assuring reconciliation with the County general ledger in 2006.

**Response to 2005-3**

We are requesting a letter from the subrecipient stating that their procurement policies meet federal requirements and that their policy was followed when purchasing capital assets with Home Land Security Grant dollars.

Also, we will monitor the Home Land Security Grant subrecipients more closely in 2006.

**To: Federal Grantors and Flow-Through Agencies**

**From: John Biscoe, Administrator/Controller**

**Follow-Up**

**Response: Single Audit Findings for 2004**

**Date: April 21, 2006**

#### **2004-1**

We have increased internal control over federal and state grants, however because of a hiring freeze, we have not been able to advance as much as we had originally projected.

In 2005, we had a meeting with all departments to emphasize to them the importance of the information that is needed to be provided to the finance office (evidence of source of grant, grant agreement, percentage of federal participation, federal CFDA number, compliance requirements, etc.)

To further provide controls over receiving the aforementioned information on a timely basis, we have started to make the information a mandatory procedure in the budgeting process. In order to have the approval for grant revenue and expenditures in the budget, this information must be provided.

We are seeking to increase the involvement of departmental personnel to assist in providing more timely information.

#### **2004-2**

We have met with our software provider for the Lapeer County accounting and financial system to modify our general ledger system to accommodate a subsidiary ledger for the drain funds, as well as having selected a customized software package for assessments.

As part of the process of maintaining control over the various drain funds we are developing and documenting internal communication and reporting procedures between the drain office, treasurer's office and finance department. Also, an individual has been transferred to the drain office that will assist in the process.

We recognize that this finding was also a 2004 finding and intended to make a decision in 2005 on the most efficient means of accomplishing the goal of improved accounting records. The decision will be made in 2006 and implementation performed.



## MANAGEMENT LETTER

To the Board of Commissioners  
of Lapeer County  
Lapeer, Michigan

We have recently completed our audit of the basic financial statements of the County of Lapeer, Michigan as of and for the year ended December 31, 2005. In connection with the audit, we believe that certain changes in your accounting procedures would be helpful in further improving management's control and the operational efficiency of the County's recordkeeping system. These suggestions are a result of our evaluation of internal accounting administrative controls for audit purposes and our discussions with management. As noted in the **Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**, dated April 21, 2006, these conditions were not considered to be material weaknesses. However, the first two conditions under financial issues have been reported in the single audit as reportable conditions while the other conditions are areas of improvement or matters requiring the attention of management.

### FINANCIAL ISSUES:

#### Controls Over General Ledger Account Balances for Drains

We understand that the Drain Commission is currently having the accounting software utilized by the County modified to meet the needs of the reporting requirements of the Drain Commission.

This modification is important because with the large amount of activity and the required reporting by the Drain Commission, the maintaining of control totals over assessments receivable and drain notes has been difficult. Also, because of not having readily available information by drainage district, the Treasurer's office has not been able to maintain Drain cash by each District.

We recommend that this adaptation of the County software be given high priority and that procedure be implemented in the drain office to assist both the finance and treasurers department in control over the general ledger account balances, for drains.

#### Controls over General Ledger Account Balances for DHS

During the audit of the Department of Human Services, we noted that the general ledger cash balance per the department's general ledger did not agree to the County cash control amount. It was also noted that the State of Michigan had to suggest entries to agree cash per the DHS Ledger to the State of Michigan control total.

We recommend that the reconciliation of cash be made monthly to improve controls over general ledger transactions. If need be technical assistance should be provided the DHS department to improve the actual reconciliation process.

### **Controls over Interest Allocation**

Currently the County utilizes both a common checking account and common (pooled) investment of County Funds for efficiency and increased return on investments.

During 2005, the interest was not always allocated to the fund providing the investing dollars. This is not required in all instances, however, there are several instances where the income from investments affects the allocation of net assets of a specific fund.

We recommend that the County review its policy for allocation of investment interest from common (pooled) investments and assure allocation to specific funds where necessary.

### **Controls over Trust and Agency Account Balances**

As you know, the Trust and Agency accounts are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or funds. These accounts are designed to accumulate assets until time of distribution.

Detail of the accounts are maintained by departments and/or individuals, however, timely reconciliations are not being made to the general ledger accounts allowing for differences to occur and not be detected.

To increase controls, we recommend that the Controller's office determine the responsibility for all Trust and Agency accounts and establish procedures for having the accounts reconciled on a timely basis. As part of the procedures, a monthly or quarterly report should be run that requires the responsible individuals to sign that they have reconciled the accounts.

### **COMPLIANCE ISSUES:**

#### **Controls over Federal and State Grants**

Responsibility for the County to be able to provide the required information for the preparation of the Schedule of Expenditures of Federal Awards that is presented in the annual Single Audit has been increased with the current changes in auditing requirements.

Responsibility for federal and state grants is currently fragmented throughout the County. Information related to grants is sometimes difficult to follow through an audit trail. Evidence of the source of the grant, percentage of federal participation, federal CFDA number, compliance requirements and status of expenditures and/or revenues is difficult to determine.

Internal monitoring by the finance department has increased controls over the federal programs; however, it still requires a considerable amount of effort to determine at year-end the grant amounts and other pertinent information required for the Schedule of Expenditure of Federal Awards. Also, it is sometimes difficult to compare the expenditures per the reports selected for testing to the expenditures per the general ledger.

Individual departments and/or individuals responsible for the grants should increase involvement providing the above described required information and timely reconcile the reporting to the general ledger.

### **Controls over Budget Amendments**

As indicated in the Notes to Financial Statements, the County of Lapeer has not complied with certain provisions of Public Act 621 of 1978, as amended, the Uniform Budgeting and Accounting Act. Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Act requires the Board of Commissioners to make budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended December 31, 2005, the County (primary government) incurred expenditures in excess of appropriations for six (6) activities of the General Fund and had excess expenditures over appropriations in the seven (7) budgeted special revenue funds which includes the Revenue Sharing Reserve Fund that did not have a budget.

These conditions were considered in determining the nature, timing and extent of the audit tests applied in our audit of the December 31, 2005, financial statements. We have not considered internal control since the date of our report. It is important to remember that management is responsible for the design and implementation of programs and controls to prevent and detect fraud.

This report is intended solely for the information and use of management and the County Board of Commissioners of Lapeer County, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our examination. We are available to discuss these conditions with you and to provide assistance in implementation of improvements.

Sincerely,

A handwritten signature in cursive script, reading "Stewart Beaumont Whipple".

April 21, 2006